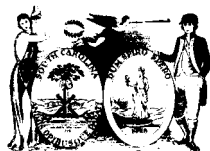


State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

October 29, 2001

Ms. Linda A. Holtzscheiter, Reimbursement Manager
Mariner Post-Acute Network
15415 Katy Freeway, Suite 800
Houston, Texas 77094

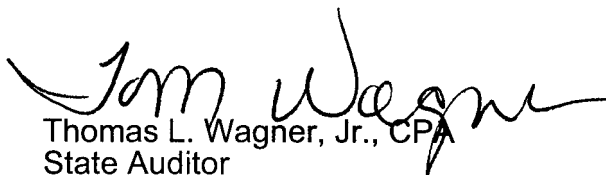
Re: AC# 3-BKV-J8 – GranCare South Carolina, Inc. d/b/a Brookview Healthcare Center

Dear Ms. Holtzscheiter:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1997 through September 30, 1998. That report was used to set the rate covering the contract period beginning October 1, 1999.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/sag

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Joseph Hayes

**GRANCARE SOUTH CAROLINA, INC.
D/B/A BROOKVIEW HEALTHCARE CENTER**

GAFFNEY, SOUTH CAROLINA

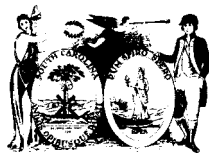
**CONTRACT PERIOD
BEGINNING OCTOBER 1, 1999
AC# 3-BKV-J8**

**AGREED-UPON PROCEDURES REPORT
ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

May 30, 2001

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with GranCare South Carolina, Inc. d/b/a Brookview Healthcare Center, for the contract period beginning October 1, 1999, and for the twelve month cost report period ended September 30, 1998, as set forth in the accompanying schedules. The management of GranCare South Carolina, Inc. d/b/a Brookview Healthcare Center is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

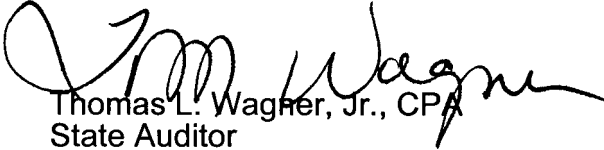
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by GranCare South Carolina, Inc. d/b/a Brookview Healthcare Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and GranCare South Carolina, Inc. d/b/a Brookview Healthcare Center dated as of September 26, 1996 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
May 30, 2001

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.


Thomas L. Wagner, Jr., CPA
State Auditor

BROOKVIEW HEALTHCARE CENTER

Computation of Rate Change
For the Contract Period
Beginning October 1, 1999
AC# 3-BKV-J8

	10/01/99- <u>09/30/00</u>
Interim reimbursement rate (1)	\$ 87.60
Adjusted reimbursement rate	<u>82.76</u>
Decrease in reimbursement rate	\$ <u><u>4.84</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 19, 2000

BROOKVIEW HEALTHCARE CENTER
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 1999 Through September 30, 2000
AC# 3-BKV-J8

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$32.84	\$50.88	
Dietary		8.26	9.69	
Laundry/Housekeeping/Maint.		<u>7.35</u>	<u>8.24</u>	
Subtotal	<u>\$4.82</u>	48.45	68.81	\$48.45
Administration & Med. Records	<u>\$.11</u>	<u>11.45</u>	<u>11.56</u>	<u>11.45</u>
Subtotal		59.90	<u>\$80.37</u>	59.90
<u>Costs Not Subject to Standards:</u>				
Utilities		2.69		2.69
Special Services		2.88		2.88
Medical Supplies & Oxygen		3.09		3.09
Taxes and Insurance		1.56		1.56
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$70.12</u>		70.12
Inflation Factor (3.00%)				2.10
Cost of Capital				7.91
Cost of Capital Limitation				(.40)
Profit Incentive (Max. 3.5% of Allowable Cost)				.11
Cost Incentive				4.82
Effect of \$1.75 Cap on Cost/Profit Incentives				(3.18)
CNA Add-On				.75
Nurse Aide Staffing Add-On				<u>.53</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$82.76</u>

BROOKVIEW HEALTHCARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1998
AC# 3-BKV-J8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$1,600,259	\$ 6,845 (10) 40 (10)	\$ 16,909 (3) 410 (3) 23,790 (8) 30,252 (9) 1,172 (9)	\$1,534,611
Dietary	389,691	1,979 (10)	1,007 (3) 38 (6) 75 (7) 2,957 (9) 1,492 (11)	386,101
Laundry	52,292	-	-	52,292
Housekeeping	162,079	1,904 (12)	1,386 (13)	162,597
Maintenance	152,933	1,792 (12)	352 (3) 1,565 (7) 991 (9) 22,098 (10) 1,091 (13)	128,628
Administration & Medical Records	734,478	13,299 (3) 2,921 (3) 1,678 (5) 6 (6) 1,162 (7) 23,790 (8) 547 (10) 1,343 (11) 3,580 (12)	621 (7) 986 (9) 328 (9) 243,565 (10) 16 (11) 2,213 (13)	535,075
Utilities	129,589	1,518 (12)	2,939 (7) 311 (10) 1,088 (11) 1,066 (13)	125,703
Special Services	195,093	1,325 (6)	93 (3) 365 (9) 2,668 (14) 58,902 (15)	134,390
Medical Supplies & Oxygen	160,265	25,609 (7)	6,646 (6) 34,997 (14)	144,231

BROOKVIEW HEALTHCARE CENTER
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 1998
 AC# 3-BKV-J8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Taxes and Insurance	99,480	593 (7) 1,107 (12)	13,772 (4) 4,765 (5) 9,344 (10) 590 (13)	72,709
Legal Fees	16,505	16 (11) 89 (12)	16,610 (10)	-
Cost of Capital	349,103	1,892 (12) 60,417 (16)	10,679 (1) 6,033 (2) 23,504 (10) 1,352 (13)	369,844
Subtotal	4,041,767	153,452	549,038	3,646,181
Ancillary	95,329	5,315 (6)	-	100,644
Non-Allowable	625,161	10,679 (1) 6,033 (2) 2,551 (3) 3,087 (5) 38 (6) 5,128 (7) 37,051 (9) 306,021 (10) 7,698 (13) 37,665 (14) 58,902 (15)	3,568 (11) 11,882 (12) 60,417 (16)	1,024,147
Total Operating Expenses	<u>\$4,762,257</u>	<u>\$633,620</u>	<u>\$624,905</u>	<u>\$4,770,972</u>
Total Patient Days	<u>46,734</u>	<u>1</u> (17)	<u>-</u>	* <u>46,735</u>

*Adjusted to 97% occupancy

Total Beds 132

BROOKVIEW HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 1998
AC# 3-BKV-J8

ADJUSTMENT NUMBER	ACCOUNT TITLE	DEBIT	CREDIT
1	Accumulated Depreciation	\$ 26,352	
	Other Equity	76,653	
	Nonallowable	10,679	
	Fixed Assets		\$103,005
	Cost of Capital		10,679
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	6,033	
	Cost of Capital		6,033
	To remove amortization expense related to organization and loan cost State Plan, Attachment 4.19D		
3	Administration	13,299	
	Medical Records	2,921	
	Nonallowable	2,551	
	Nursing		16,909
	Restorative		410
	Dietary		1,007
	Maintenance		352
	Special Services		93
	To reclassify expense to the proper cost center and disallow expense due to lack of documentation HIM-15-1, Section 2304 DH&HS Expense Crosswalk		
4	Accrued Property Taxes	8,564	
	Retained Earnings	5,208	
	Taxes and Insurance		13,772
	To adjust property taxes and related accrual HIM-15-1, Sections 2302.1 and 2304		

BROOKVIEW HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 1998
AC# 3-BKV-J8

ADJUSTMENT <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Administration	1,678	
	Nonallowable	3,087	
	Taxes and Insurance		4,765
	To reclassify expense to the proper cost center and disallow expense due to lack of documentation HIM-15-1, Section 2304 DH&HS Expense Crosswalk		
6	Administration	6	
	Special Services	1,325	
	Ancillary	5,315	
	Nonallowable	38	
	Dietary		38
	Medical Supplies		6,646
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
7	Medical Records	1,162	
	Taxes and Insurance	593	
	Medical Supplies	25,609	
	Nonallowable	5,128	
	Retained Earnings		27,292
	Dietary		75
	Maintenance		1,565
	Administration		621
	Utilities		2,939
	To properly charge expense applicable to the prior period, disallow cable TV expense, and disallow expense due to lack of documentation HIM-15-1, Sections 2106.1, 2302.1, and 2304		
8	Administration	23,790	
	Nursing		23,790
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		

BROOKVIEW HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 1998
AC# 3-BKV-J8

ADJUSTMENT NUMBER	ACCOUNT TITLE	DEBIT	CREDIT
9	Nonallowable	37,051	
	Nursing		30,252
	Restorative		1,172
	Dietary		2,957
	Maintenance		991
	Administration		986
	Medical Records		328
	Special Records		365
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
10	Nursing	6,845	
	Restorative	40	
	Dietary	1,979	
	Medical Records	547	
	Nonallowable	306,021	
	Maintenance		22,098
	Administration		243,565
	Legal		16,610
	Utilities		311
	Taxes and Insurance		9,344
	Cost of Capital		23,504
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
11	Other Payable	149	
	Other Income	4,656	
	Administration	1,343	
	Legal	16	
	Dietary		1,492
	Medical Records		16
	Utilities		1,088
	Nonallowable		3,568
	To properly offset income against related expense HIM-15-1, Sections 2102.3 and 2328 State Plan, Attachment 4.19D		

BROOKVIEW HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 1998
AC# 3-BKV-J8

ADJUSTMENT NUMBER	ACCOUNT TITLE	DEBIT	CREDIT
12	Housekeeping	1,904	
	Maintenance	1,792	
	Administration	3,580	
	Legal	89	
	Utilities	1,518	
	Taxes and Insurance	1,107	
	Cost of Capital	1,892	
	Nonallowable		11,882
	To reverse DH&HS adjustment to remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
13	Nonallowable	7,698	
	Housekeeping		1,386
	Maintenance		1,091
	Administration		2,213
	Utilities		1,066
	Taxes and Insurance		590
	Cost of Capital		1,352
	To remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
14	Nonallowable	37,665	
	Medical Supplies		34,997
	Special Services		2,668
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment, 4.19D		
15	Nonallowable	58,902	
	Special Services		58,902
	To adjust co-insurance for Medicare Part B services State Plan, Attachment, 4.19D		

BROOKVIEW HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 1998
AC# 3-BKV-J8

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
16	Cost of Capital Nonallowable	60,417	60,417
	To adjust capital return State Plan, Attachment 4.19D		
17	<u>Memo Adjustment</u> To increase total patient days by 1 to 46,735		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	<u>\$755,202</u>	<u>\$755,202</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

BROOKVIEW HEALTHCARE CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1998
AC# 3-BKV-J8

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.2493</u>	<u>2.2493</u>	
Deemed Asset Value (Per Bed)	35,130	35,130	
Number of Beds	<u>88</u>	<u>44</u>	
Deemed Asset Value	3,091,440	1,545,720	
Improvements Since 1981	647,241	-	
Accumulated Depreciation at 9/30/98	<u>(1,090,470)</u>	<u>(380,628)</u>	
Deemed Depreciated Value	2,648,211	1,165,092	
Market Rate of Return	<u>.063</u>	<u>.063</u>	
Total Annual Return	166,837	73,401	
Return Applicable to Non-Reimbursable Cost Centers	(896)	(197)	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>194</u>	<u>97</u>	
Allowable Annual Return	166,135	73,301	
Depreciation Expense	87,998	43,533	
Amortization Expense	217	108	
Capital Related Income Offsets	(64)	(32)	
Allocation of Capital Expenses to Non-reimbursable Cost Centers	<u>(901)</u>	<u>(451)</u>	<u>Total</u>
Allowable Cost of Capital Expense	253,385	116,459	\$369,844
Total Patient Days (Minimum 97% Occupancy)	<u>31,156</u>	<u>15,579</u>	<u>46,735</u>
Cost of Capital Per Diem	\$ <u>8.13</u>	\$ <u>7.48</u>	\$ <u>7.91</u>

BROOKVIEW HEALTHCARE CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1998
AC# 3-BKV-J8

6/30/89 Cost of Capital and Return on Equity		
Capital Per Diem Reimbursement	\$3.54	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	\$ <u>7.53</u>	\$ <u>7.48</u>
Reimbursable Cost of Capital Per Diem		\$7.51
Cost of Capital Per Diem		<u>7.91</u>
Cost of Capital Per Diem Limitation		\$ <u>(.40)</u>

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